

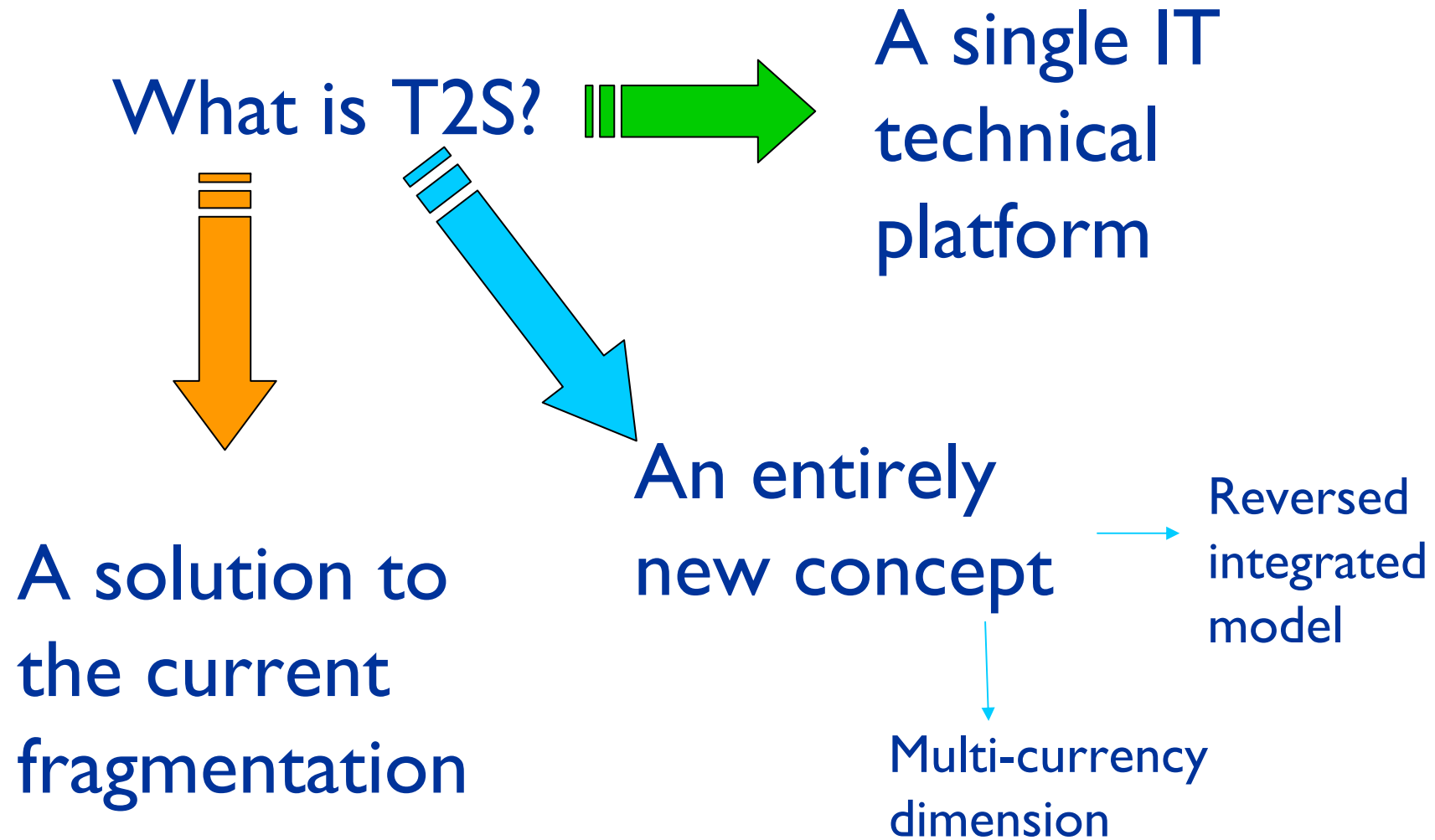
T2S project update

Stefania Secola
T2S Division

OMG meeting
8 October 2009

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- I. What is T2S and why does Europe need it?
- II. Project timeline and major milestones
- III. T2S benefits

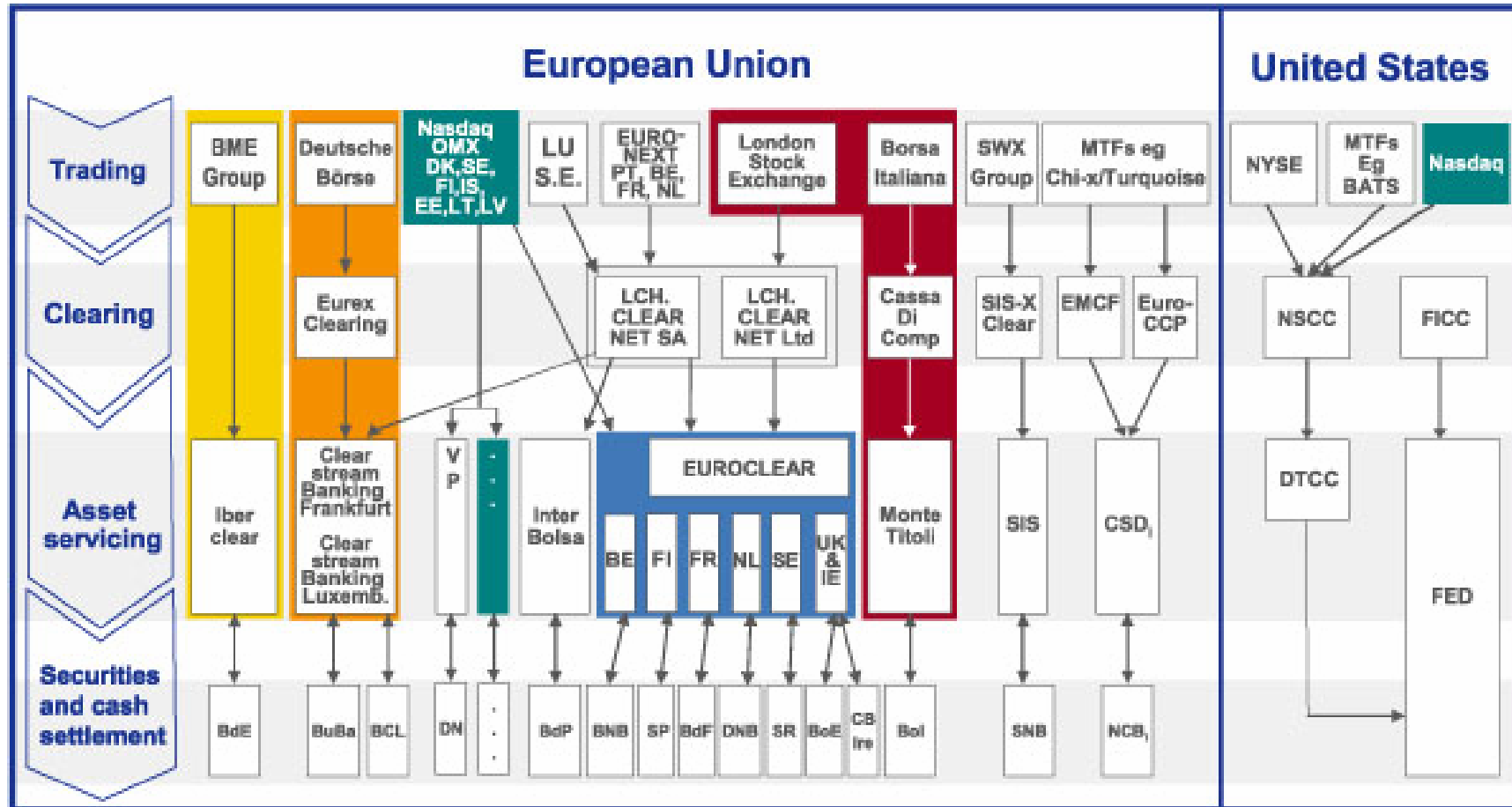


Why does Europe need T2S?

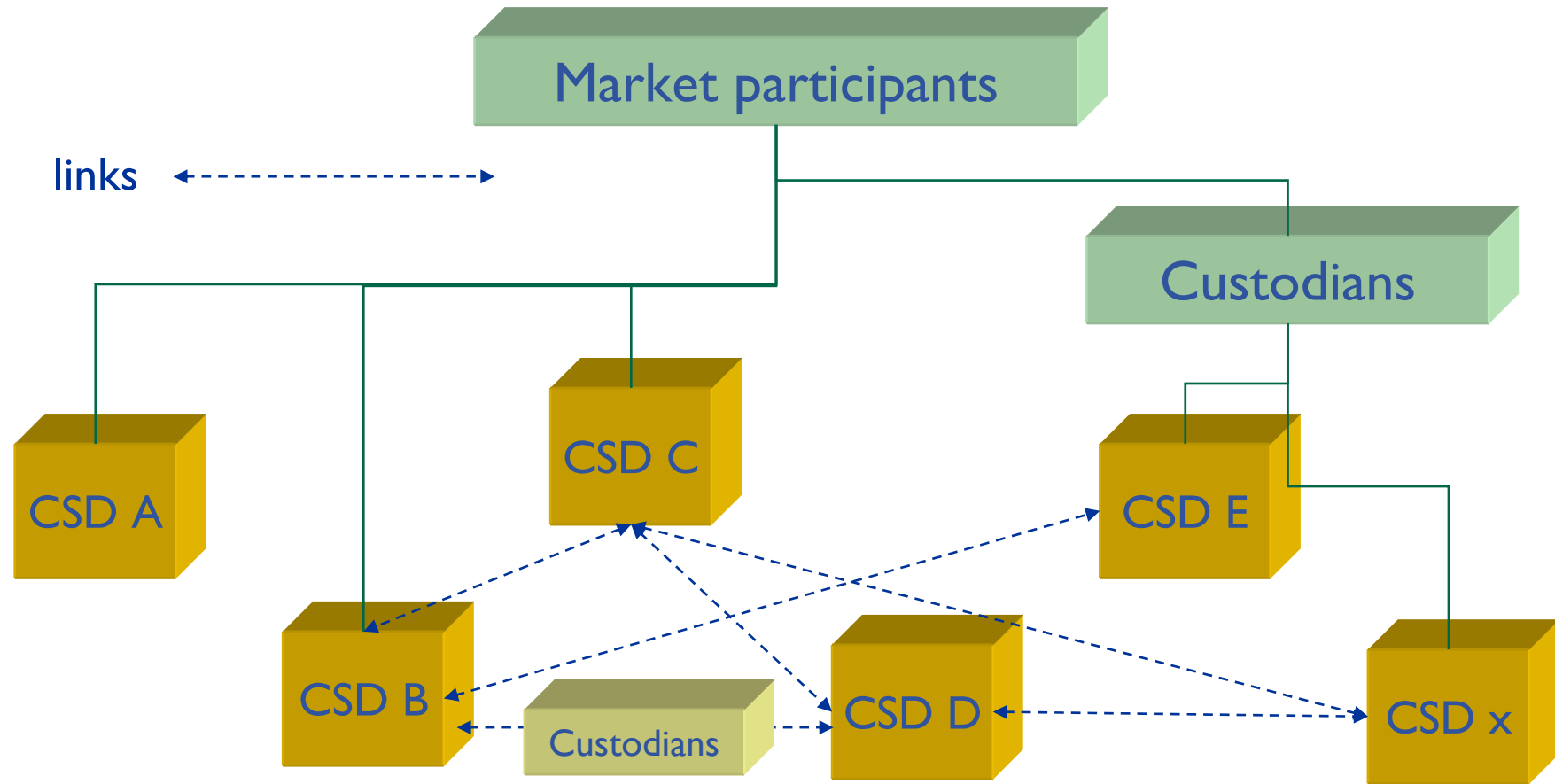
- Europe's securities markets are too fragmented and inefficient.
- Lack of competition in services related to settlement
- Europe needs a single pool of securities to stimulate competition and harmonisation.
- There is no other realistic Europe-wide approach to creating this single pool.

**Making Europe a better place to invest and trade
(in line with the Lisbon agenda)**

The current scenario



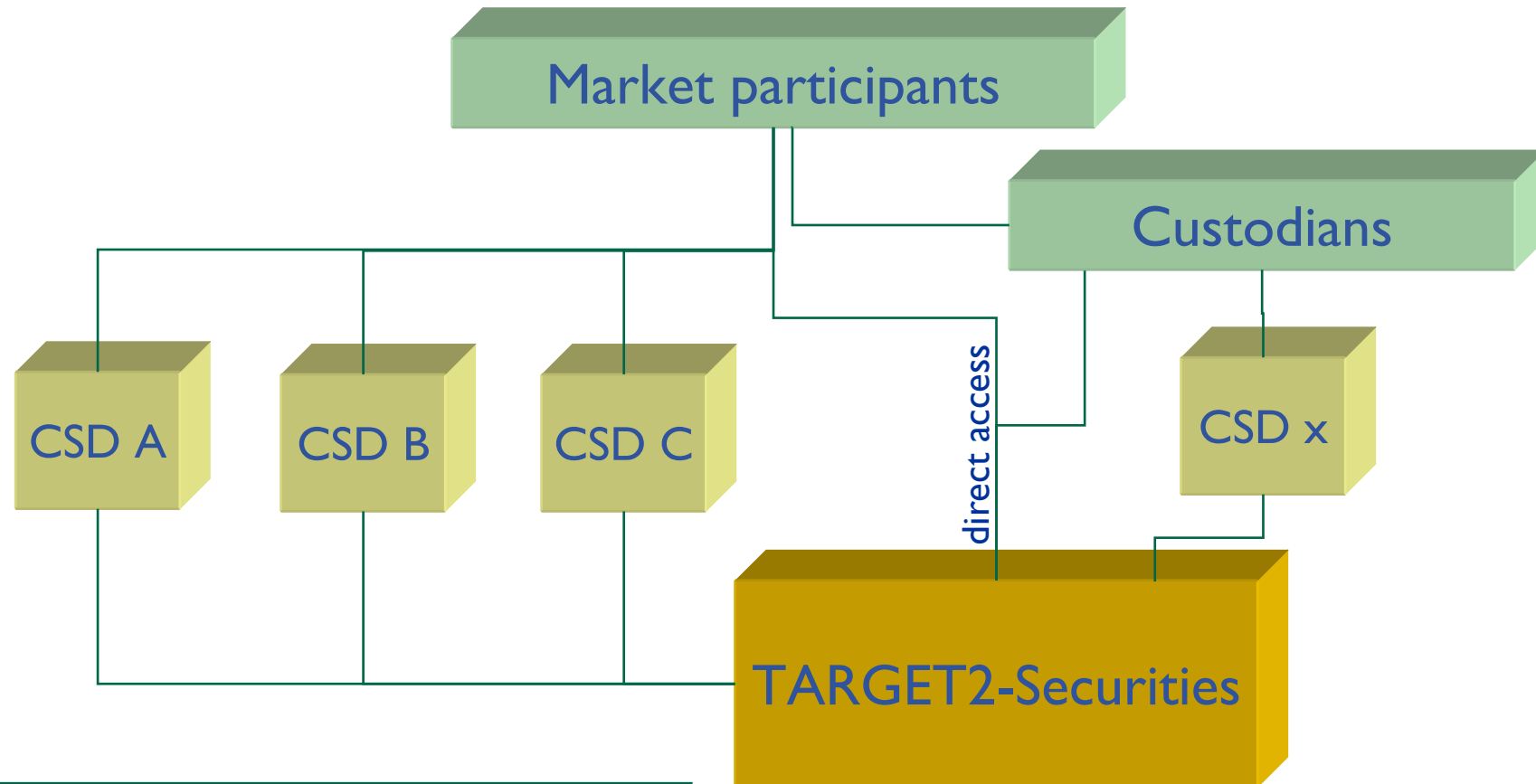
The current EU settlement landscape



No integrated cross-border settlement process

- 19 CSDs in Euro Area
- 2 ICSDs
- 16 Other EU CSDs

The future landscape with T2S



One integrated settlement process
(domestic and cross-border)

One technical platform used by
CSDs for securities settlement

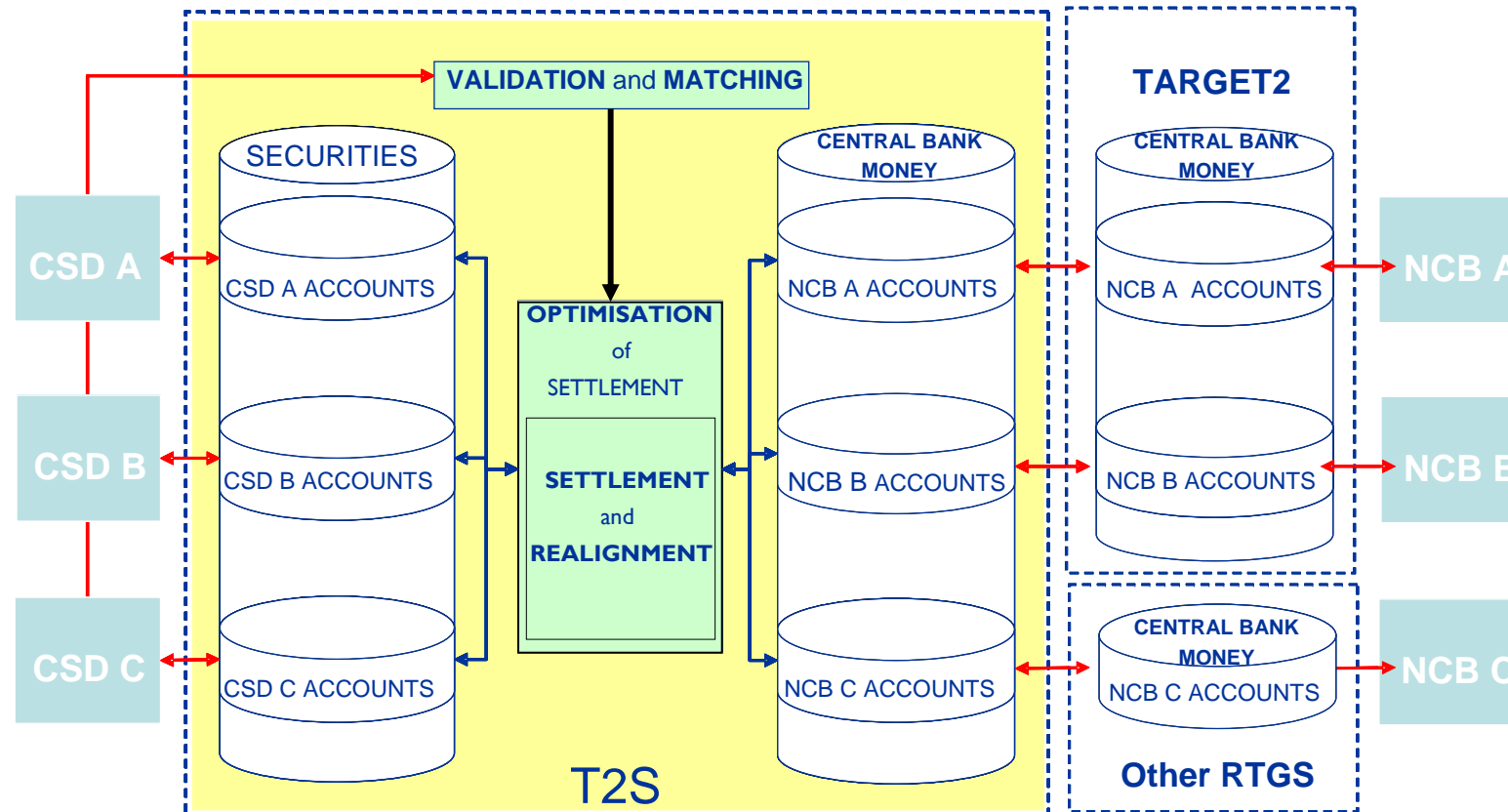
What is the scope of T2S?

T2S concerns only the settlement function of CSDs!

		Type of intermediation
Notary function	Registration of issuer indebtedness and investor holdings	issuer / investor
Custody and asset-servicing function	e.g. coupon payments, redemptions, stock splits	
Settlement function	Change of ownership among investors	buyer / seller
Banking function*	e.g. lending and borrowing	lender / borrower

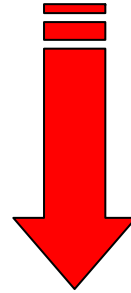
*only in some (I)CSDs

What is T2S? How is it going to work?



Bringing on one technical platform all securities and cash accounts to settle all securities transactions

In a nutshell:



T2S is a quiet revolution!

Why is the Eurosystem suited to run T2S?

- Settlement in **central bank money** one of its core functions
- Commitment of the Eurosystem to **efficient and integrated financial markets in the EU**
- **Neutrality** of the Eurosystem as a supranational organisation
- Possible **facilitator** in balancing different requirements
- **No own economic interest**, cost recovery principle
- TARGET and TARGET2 **experience** in successfully designing and implementing Europe-wide infrastructures

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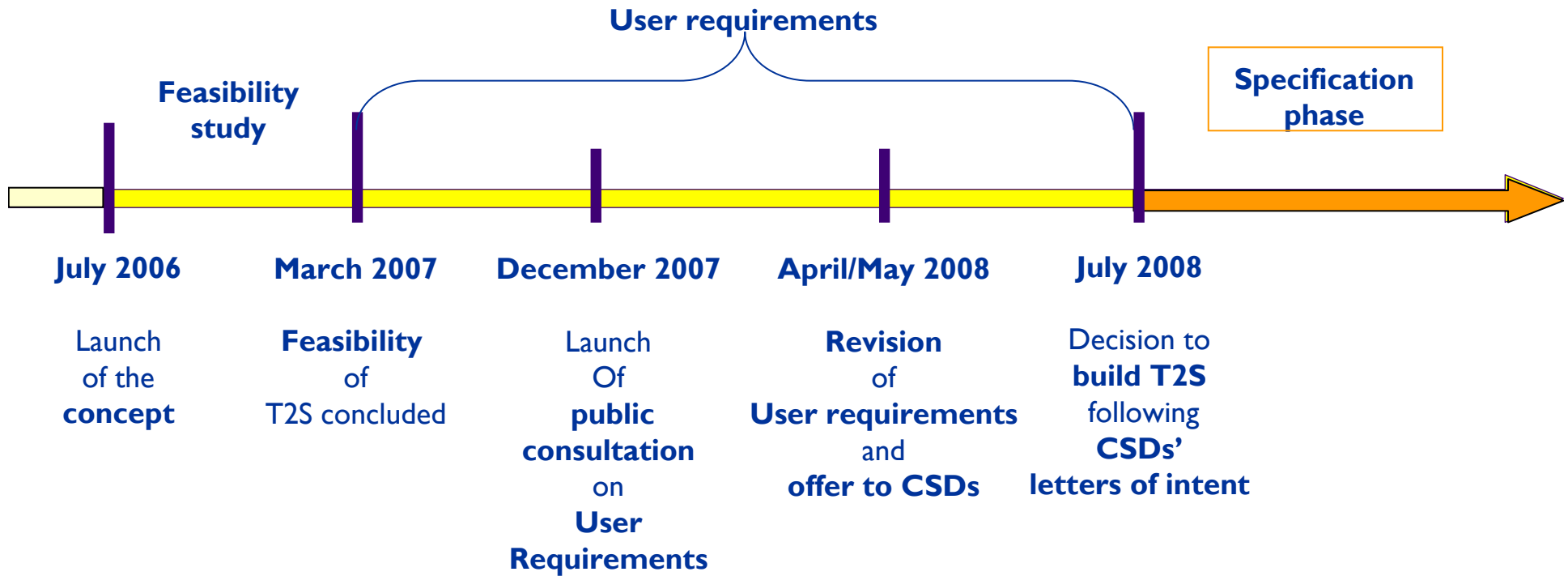
I. What is T2S and why does Europe need it?

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Past

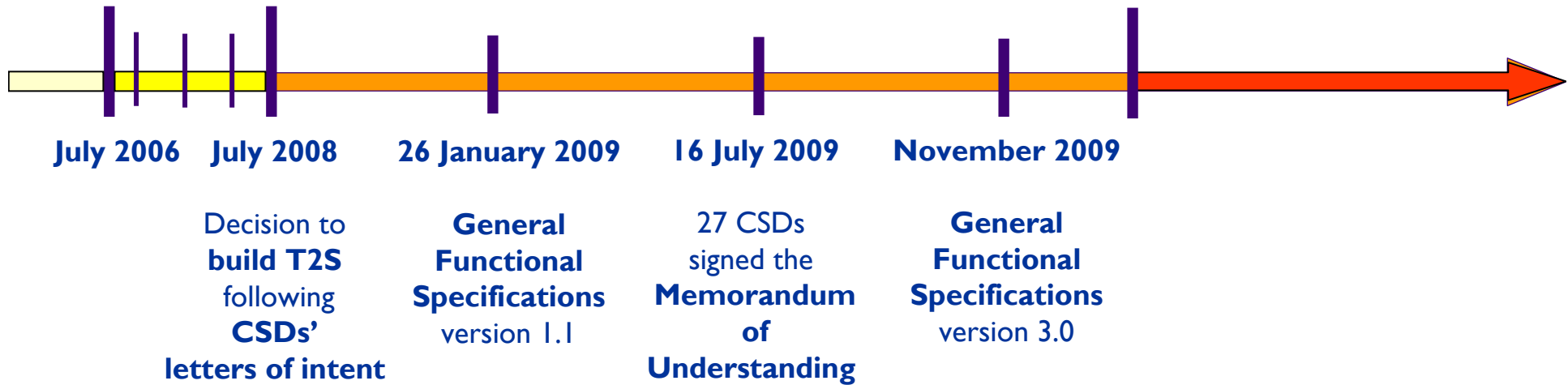
Preparation phase



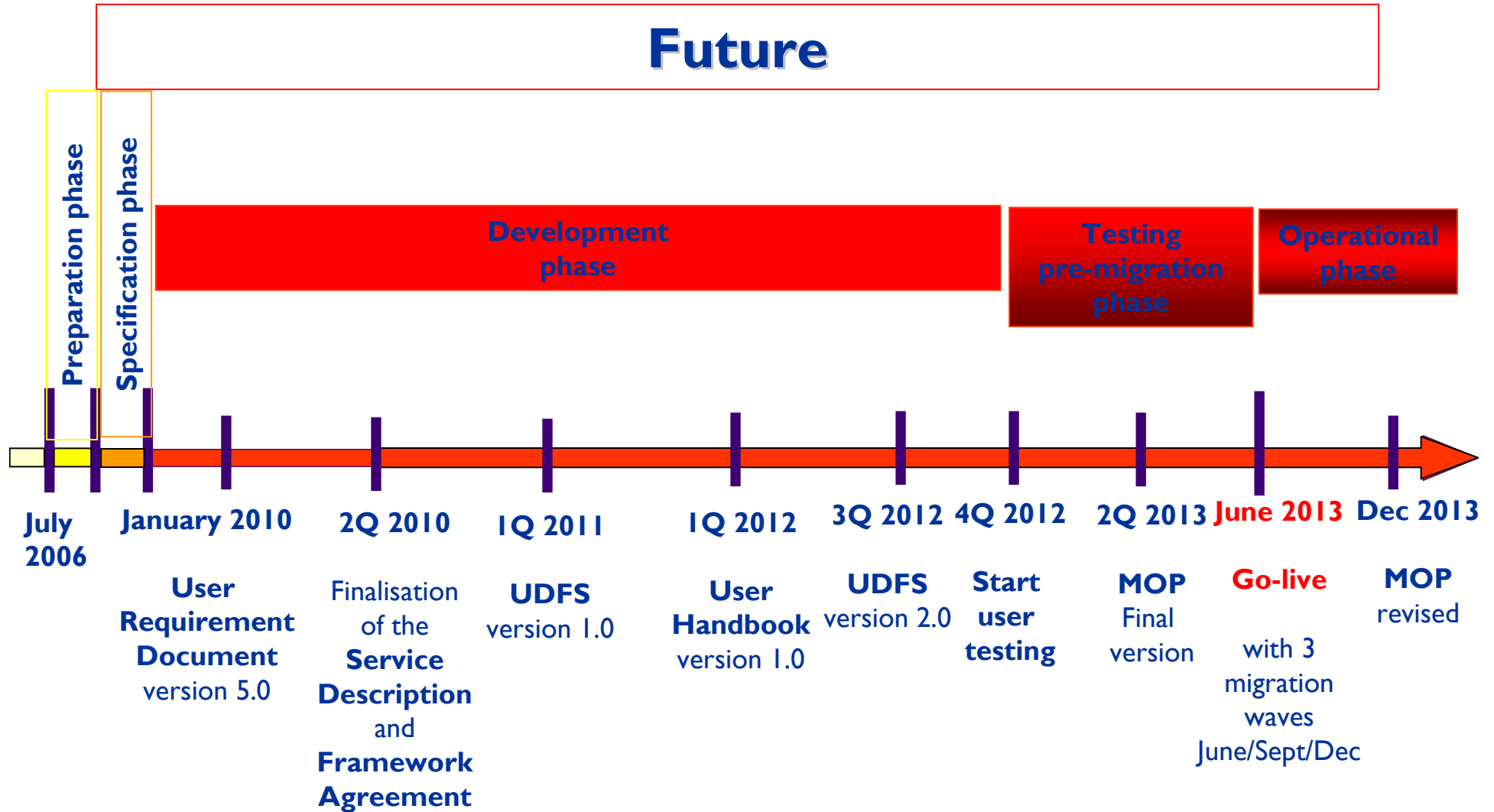
Present

Specification phase

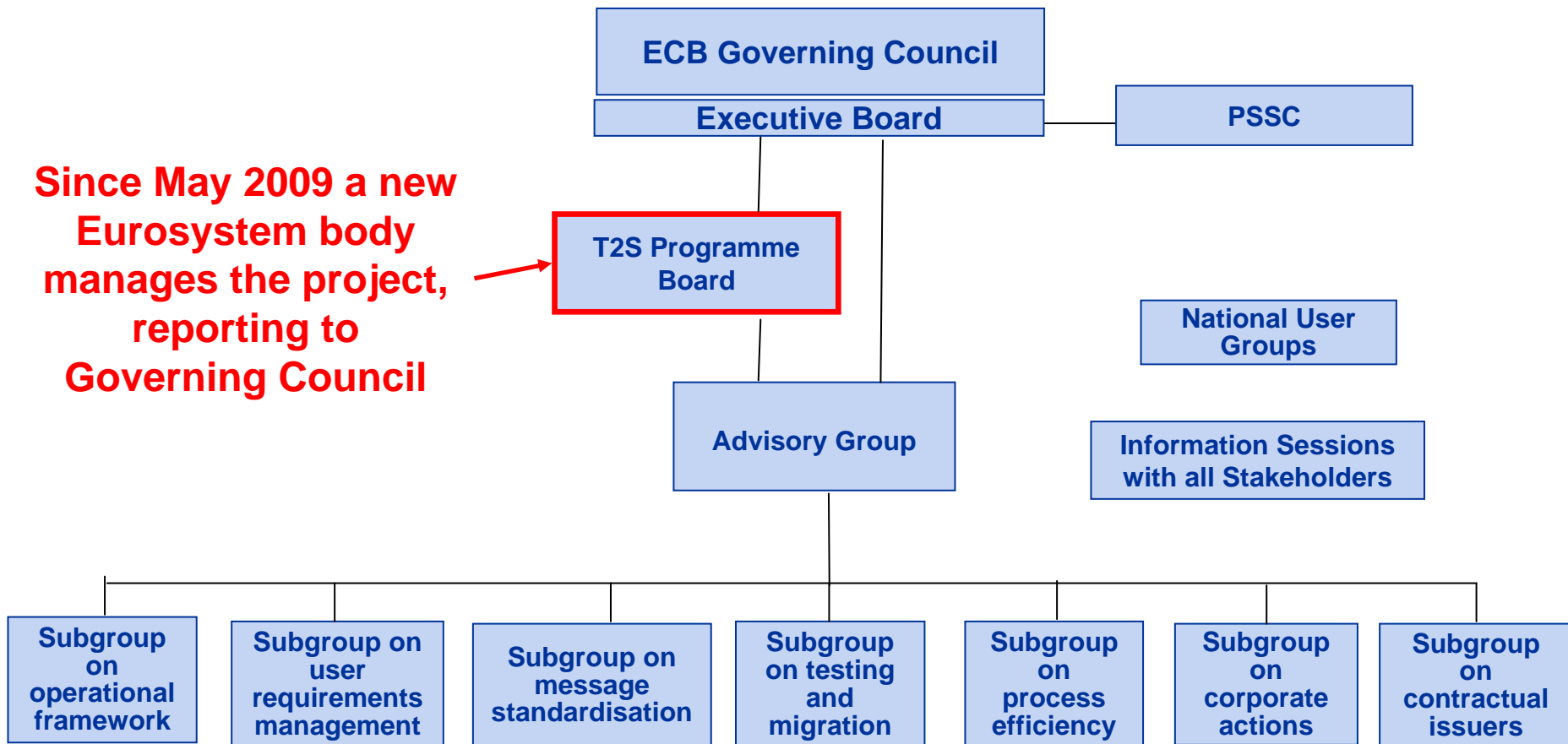
Preparation phase



Future



T2S Governance in this phase of the project

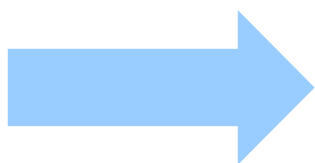


T2S programme Board

- **Composition**
 - 8 members (including two former CEOs of CSDs) and 4 alternates
- **Objective**
 - To ensure the Eurosystem delivers T2S on time, within budget and according to market needs
- **Important principles**
 - Represent the interests of the T2S project and the Eurosystem (and not of their own institution)
 - Governing Council remains ultimate decision-maker
 - T2S Programme Board is supported by the T2S Project Team
- **Responsibilities**
 - Preparation of strategic Governing Council decisions, daily management of T2S Programme and reporting, managing relations with 4CB/CSDs/other external stakeholders, validation of 4CB deliverables

External governance

- T2S Advisory Group is currently the only external governance forum
- Future external governance arrangement needs to take into account
 - The role of the T2S Programme Board
 - Future contractual relations between CSDs and the Eurosystem



External governance needs to be adapted

T2S pricing policy

- **Consultation of AG members during the summer**
 - Majority in favour of no volume discounts
 - Many users in favour of user discounts
- **Discussion in the Programme Board in September**
- **Information of the AG**
- **Proposal to apply no volume discounts in T2S**

T2S communication

- **Redesign of T2S website**
 - More user friendly
 - Work in progress
 - Publication of all relevant information
 - „Spotlight“ on latest information
- **T2S OnLine**

- ← Back to Payments & Markets
- T2S
 - + About
 - + Current specification phase
 - + Preparation phase (until June 2008)



The vision is taking shape

An impressive number of CSDs – 27 in total located in 25 countries – signed the → [Memorandum of Understanding \(MoU\)](#) on 16 July thus reinforcing their strong support for T2S.

This included not only all CSDs that exist in the euro area, but also seven CSDs located in EU countries outside the euro area – Denmark, Estonia, Latvia, Lithuania, Romania, Sweden, UK – and two CSDs located in countries outside the EU – Iceland and Switzerland. The CSDs of Denmark, Lithuania and Sweden – with support of their central bank and the market – also signed up for settlement in T2S in their domestic currency as well as in euro.

In early September, VPS (the Norwegian CSD) informed (letter, 65.9 kB) that also they decided to sign the MoU, and the Norges Bank (letter, 612 kB) declared its intention to allow also for settlement in Norwegian kroner in T2S.

We welcome them in the T2S community.


What is T2S?

Trading securities, such as stocks, requires "settlement", meaning that securities and money are exchanged (usually electronically) between buyer and seller. In Europe, prices for settlement are far too high because there is still no Single Market for these services.

T2S will be the technical basis to make settlement in Europe faster and cheaper.
→ [more](#)




T2S: A quiet revolution in European post-trading

by *Jean-Michel Godeffroy*



I am very happy to introduce the first issue of our T2S OnLine quarterly review.

T2S OnLine will bring you up to date on the project and demonstrate that T2S is "on line". As a rule, as is indicated by its name, the newsletter will only be available online, on the T2S website.
→ [more](#)

EDITORIAL

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- Project Plan

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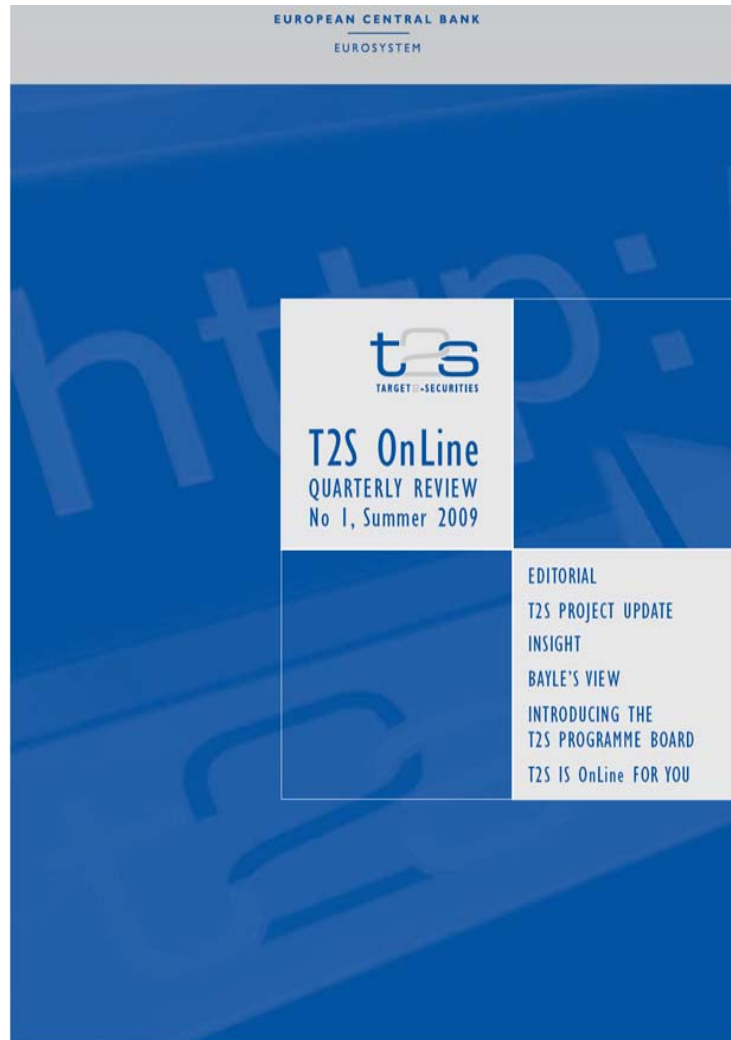
Contact

TARGET2-Securities project team

T2S Online



No. 1, Summer 2009 927 kB



T2S is OnLine

- Quarterly updates
- First hand information
- You can contribute

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T2S benefits for USERS

- significantly lower settlement fees for domestic and, in particular, cross-border transactions
- enabling market participants to optimise collateral and liquidity management
- reducing back-office costs by allowing market participants to streamline interfaces and centralise settlement activity
- providing new business opportunities, and access to new markets for asset-servicing

T2S benefits for PROVIDERS

- access to a technologically advanced, state-of-the-art, and highly robust settlement engine
- savings from no longer needing to invest in costly and risky IT projects to update their settlement infrastructure
- ability to take advantage of economies of scale from pooling together settlement volume across the whole of Europe
- providing new business opportunities, and access to new markets for asset-servicing

T2S benefits for EUROPE

- fostering a higher level of **competition** in Europe's post-trade industry
- contributing to **harmonisation** of clearing and settlement in Europe, thereby promoting a Single Market for financial services
- reducing in the **cost of capital** for firms, thereby contributing to **economic growth**
- positive impact on **financial stability** by reducing settlement risks on cross-border transactions

Conclusion



**The Eurosystem and the market
believe in T2S
and
are ready to take the challenge
and invest in it**

